

Indiana Department of Environmental Management  
Clean Air Interstate Rule  
Cost Impact Analysis  
Update  
(November, 2006)

This document is an update of the fiscal impact analysis (FIA) of the Clean Air Interstate Rule (CAIR) presented in the preliminary adoption of this rule in the June 7, 2006 Indiana Air Pollution Control Board meeting. The previous FIA document can be found at <http://www.in.gov/idem/rules/packets/air/jun/index.html>

The rule will impact the electricity and non-electricity generating units (EGUs and non-EGUs) in Indiana. The costs to EGUs were estimated using the Integrated Planning Model (IPM), a model that to analyze a given environmental policy, uses a number of input parameters such as electricity load growth, pollution control costs and effectiveness and fuel costs and gives outputs such as retrofit pollution controls, emissions, capacity additions and retirement etc. Both the IDEM and the Indiana Utility Group (IUG), using IPM outputs based on varying assumptions developed cost impacts which the State Utility Forecasting Group (SUGF) located at Purdue University, Indiana, utilized to estimate the impact on electricity rates in Indiana. Since the previous draft of the FIA the IDEM has not received any comments or suggestions that will significantly change the EGU cost estimates. Therefore, the cost estimates for EGUs remain unchanged.

The costs to non-EGUs included the cost of allowance trading. The IDEM projected a surplus and therefore revenue from this activity. The total emissions were projected to be lower than the total of all allowances. The previous estimates did not include U.S. Steel as this source made a request to move out of the emissions trading program. However, based on the comments from USEPA, this source will remain within the emission trading program. The emissions of this source are also projected to be lower than its budget. In addition, a small change in the total amount of allowances going to the set-asides increased allowances to non-EGUs. The combined effect of these changes is to increase the total revenue by one to two million dollars and therefore to lower the total cost of the rule by these amounts. The Table 1 in the previous document, which itemized and summarized the costs of the rule, is reproduced below with the above changes.

Table: CAIR Cost Summary

	IDEM (Scenario 1)			IUG (Scenario 2)		
Time interval	I	II	III	I	II	III
Projection years	2008-2012	2013-2017	2018-2022	2007-2013	2014-2017	2018-2022
EGUs						
Retrofit controls						
Description	3 SO2 scrubbers	12 SO2 scrubbers; 10SCRs; 2SNCRs	17 SO2 scrubbers, 10SCRs, 2SNCRs	11 SO2 scrubbers	11 SO2 scrubbers; 2 SCR	13 SO2 scrubbers; 6 SCR
Capital cost	413	1,493	1,853	1,492	1,689	2,296
Annual cost	95	329	406	292	322	424
Total annual cost (includes all costs)	571	747	906	815	1,021	899
Impact on electricity rates	5.16%	5.97%	6.34%	6.44%	8.55%	7.63%
Non-EGUs						
Annual cost	(6)	(8)	(8)	(6)	(8)	(8)
Net annual cost	565	739	898	809	1,013	891
<b>Note: Retrofit controls and costs in each time interval are cumulative of the previous time interval. Non-EGU costs are negative as revenue is projected from the sale of allowances. SCR (selective catalytic reduction systems) and SNCR (selective non-catalytic reduction systems) are post-combustion NOx controls.</b>						